Superannuation taxes

To help you save for your retirement, the Government provides a range of tax concessions and incentives through super. However, the tax system applicable to super is complex and subject to frequent change. You should seek professional tax advice before making any decisions about your super.

Your super can be subject to tax on:

- **contributions**
- **earnings or investment returns**
- **benefits when they become payable.**

There are also special tax rules that may apply to high income earners, death benefits payable to dependants(s) or a legal personal representative, benefits payable if you are terminally ill and pension payments.

This fact sheet provides an overview of the super tax laws in force as at the date of this document and does not constitute advice. For up-to-date information on superannuation taxes, visit the ATO's website at **ato.gov.au** or speak to a taxation or financial adviser.

Tax on contributions

The information below provides a summary of tax on your super contributions and assumes that you have provided the APSS with your tax file number (TFN).

Concessional contributions are those made from your pay or income before income tax is calculated and deducted.

For employee members, concessional contributions include:

- your employer's notional taxed contributions to finance your APSS Defined Benefit; and
- any salary sacrifice contributions you make from your before-tax salary.

For spouse members and rollover members who are self-employed, concessional contributions include contributions to your APSS Spouse or Rollover Account for which you claim a tax deduction.

Contributions tax of 15% generally applies to concessional contributions (subject to tax on excess contributions and additional tax for high income earners, as explained on pages 2 and 3).

Non-concessional contributions are made from your pay or personal savings after income tax has been deducted and for which no tax deduction has been claimed.

Contributions tax does not apply to non-concessional contributions (subject to tax on excess contributions, as explained on pages 2 and 3).

You can make personal non-concessional contributions into your APSS Member Savings account as an employee, spouse or rollover member. Employee members can also make non-concessional spouse contributions into their spouse's APSS Spouse Account.

Contribution limits

The government imposes limits on the amount of contributions that can be made to super in each financial year that are taxed at concessional rates. If you exceed these limits you could potentially pay extra tax. The tables below detail the limits and how they apply.

Concessional contributions

	Age under 50	Age 50 +
2015-16	$30,000	$35,000

Note:
'Age' refers to your age as at the end of the relevant financial year.

Non-concessional contribution

	Any age	Under age 65: 'bring forward' option (over 3 years)
2015-16	$180,000	$540,000

Note:
If you are under age 65 on 1 July in a financial year, you can 'bring forward' up to two years worth of non-concessional contributions. If you are considering making contributions in excess of the annual limit, please call *Super*Phone on **1300 360 373** for further information about how this 'bring forward' provision operates.

The contribution limits are based on current law and apply to all contributions made in that financial year, regardless of how many super funds you have. Government co-contributions are not included in these limits.

If you make contributions on behalf of your spouse, these contributions will count towards your spouse's non-concessional contribution limit.

It's your responsibility to monitor the contributions made to your super and ensure that you don't exceed these limits. For the contribution rules that apply for your membership category, please refer to the fact sheet *Boost your super savings*.

If you are an employee member, you can also get an estimate of your concessional contributions for the financial year to date by logging into the secure site at **apss.com.au** (See *Concessional Contributions* under *My APSS Information*).

Tax on excess contributions

The Australian Taxation Office (ATO) will assess you for any excess contribution tax that you have incurred depending on how those contributions were made to your super.

Excess concessional contributions: From 1 July 2013, these will be included in an individual's assessable income and taxed at their marginal tax rate (subject to a tax offset for the 15% contributions tax already paid) plus an additional interest charge.

In addition, if you exceed the concessional contributions limit you may elect to have up to 85% of these contributions released from your super. However, if you are an employee member and your Member Savings are insufficient, the option to release an amount from your defined benefit is not currently available.

Excess concessional contributions also count towards your non-concessional contributions limit.

Notional Taxed Contributions

For employee members, the Government has prescribed a standard formula to calculate the notional amount your employer contributes to provide your defined benefit in the APSS. It's called your 'notional taxed contribution' (NTC). Your NTCs count toward your annual concessional contribution limit.

For 14.3% Defined Benefit members, your NTC is your Superannuation Salary at the start of the financial year (1 July), adjusted for part-time service, multiplied by 10.8%.* Therefore, if you are earning $50,000 at the start of the year and work full time your NTC for the financial year is $5,400.

For SG Defined Benefit members, your NTC is your Superannuation Salary at the start of the financial year (1 July), adjusted for part-time service, multiplied by 7.2%.** Therefore, if you are earning $50,000 at the start of the year and work full time your NTC for the financial year is $3,600.

Special arrangements generally apply to employee members who had an APSS Defined Benefit on 12 May 2009 and whose notional contributions would otherwise exceed the concessional contribution limit. If eligible, their NTC is capped at the concessional contribution limit.

NTCs do not apply to pension, spouse or rollover members who do not accrue an APSS Defined Benefit.

* This rate applies for the 2015-16 financial year. A higher rate applies if your Superannuation Salary is less than $41,490. A different rate applies for non-permanent employees and some permanent employees.

** This rate applies for the 2015-16 financial year. A higher rate applies if your Superannuation Salary is less than $43,310.

Excess non concessional contributions: Currently, if your total non-concessional contributions exceed the limit, you will have to pay tax at the top marginal rate plus the Medicare levy* on the excess contributions. Alternatively, you may elect to release your non-concessional contributions that exceed the limit for the financial year and 85% of any associated earnings.

* The current Medicare levy increased to 2% for 2014-15 and later years. An additional 2% 'temporary budget repair' levy is added to the excess contributions tax for three years commencing in 2014-15.

Superannuation taxes (continued)

The ATO will issue an assessment and you will be required to provide this along with a release authority to your super fund, who will pay the tax on your behalf and deduct the amount from your super (exceptions apply for Defined Benefit interests).

From 1 July 2013, persons who exceed their after-tax limit may also elect to withdraw excess non-concessional contributions and any associated earnings. When amounts are withdrawn no excess contributions tax is paid, but the associated earnings withdrawn will be taxed at the individual's marginal tax rate (a 15% tax offset will apply). If your Member Savings are sufficient you will have this option available to you. However, if you are an Employee Member and your Member Savings are insufficient, the option to release amounts from your Defined Benefit is not currently available.

Additional tax for high income earners

From 1 July 2012, if your 'income' plus your 'low tax contributions' exceed $300,000 in a financial year, you will be required to pay an additional 15% tax on your 'low tax contributions' above the $300,000 threshold (referred to as the 'Division 293 tax'). The Division 293 tax is payable in addition to the standard 15% contributions tax.

Your 'income' for this purpose includes your taxable income, reportable fringe benefits and total net investment losses.

If you are a defined benefit member, your 'low tax contributions' are the total of all concessional contributions made for you to the APSS or another fund (including salary sacrifice contributions plus your defined benefit contributions), less any excess concessional contributions. For the 2015-16 year, your defined benefit contributions are the same as your NTC's, except for the defined benefit contributions of May 2009 members who are eligible for the special arrangements described on page 2, which will not be capped at the concessional contribution limit.

For spouse or rollover members, your 'low tax contributions' are the total of all concessional contributions made for you to the APSS or another super fund.

Tax on investment earnings

Investments earnings in the APSS are generally taxed at up to 15%. This tax is deducted from the APSS's investment earnings before they are allocated to your Member Savings account.

Spouse contribution tax offset

Members who make after-tax contributions to their spouse's super can apply for a tax offset of 18% of the first $3,000 they contribute (i.e. a maximum of $540), if their spouse's taxable earnings are less than $10,800 in a given financial year. Smaller tax offsets may be claimed if the spouse's taxable income is between $10,800 and $13,800 in a financial year or if the member's after-tax spouse contributions are less than $3,000. If eligible, you can claim your tax offset when you submit your annual tax return to the ATO. The tax offset is payable for the financial year which you made the contributions. To qualify, you and your spouse must be Australian residents for tax purposes. For details on the conditions to receive the offset, refer to the ATO's website.

Tax is not payable on the investment earnings of APSS Pension accounts.

Tax on benefit payments

Lump sum benefits / withdrawals

You may have to pay tax when you withdraw your benefit from the APSS. We will normally deduct any applicable tax before paying your benefit. The amount of tax you will pay depend on your circumstances, such as your age and how your benefit is paid to you.

If you are aged 60 or over, a benefit payment that you receive will generally be tax-free if it is paid as a lump sum, provided that we have your TFN. The same applies for lump sum withdrawals from an APSS Allocated Pension.

If you are aged under 60 when you receive a benefit payment, the tax treatment of lump sum benefits paid to you will depend on such things as:

- your age at the time (a higher rate applies if you are under preservation age (56 in the 2015-16 year))
- the reason your benefit is paid (permanent disablement, terminal medical condition, retirement)
- the composition of your benefit (your benefit may consist of taxed and tax free components).

The above tax treatments also apply for lump sum withdrawals from an APSS Allocated Pension.

Superannuation taxes (continued)

A lump sum paid to you because you suffer from a 'terminal medical condition' (as defined by superannuation law, refer to the *Glossary* on the APSS website) is tax free, provided that we have your TFN.

More details on how your APSS benefits will be taxed will be provided when your benefit is paid.

Death benefits

Death benefits paid to your dependant(s) or legal personal representative are taxed differently. Generally, lump sum death benefits received by a Death Benefit Dependant (as defined by tax law, refer to the *Glossary* on the APSS website) are tax free. Death benefit payments received by a non-dependant may be subject to tax.

Different tax treatment applies to death benefits paid as an income stream, such as a pension paid to a reversionary beneficiary (refer below).

We will withhold the appropriate tax from any death benefit amounts we pay to your beneficiaries.

For more information on the definition of 'dependant' and on the tax treatment of benefits, please refer to the relevant *Product Disclosure Statement* for your benefit category.

Pension payments

Each income payment you receive after age 60 will generally be tax free. Before age 60, each regular income payment you receive may include a tax free component and a taxable component. Before age 60, the taxable component will be included in your assessable income and will be subject to tax at your marginal rate, plus the Medicare Levy.*

In certain circumstances (generally when you have reached your Preservation Age), a 15% tax offset applies. The Trustee is required to withhold "Pay As You Go" (PAYG) tax from that part of the income that is required to be included in your assessable income.

In the event of your death, the Trustee will pay the balance of your Pension Account to your nominated reversionary or beneficiaries. If your pension is paid to a Death Benefit Dependant (as defined by tax law, refer to the *Glossary* on the APSS website) as an income stream it will be tax free if either you are aged over 60 at the time of your death or the Death Benefit Dependant is aged over 60 at the time of receipt.

If you are aged under 60 at the time of your death and your Death Benefit Dependant is aged less than 60 at the time of receipt, your Death Benefit Dependant will be subject to tax on the taxable component of the income stream at their marginal rate of tax, plus the Medicare Levy,* but a 15% tax offset applies.

If the balance of your Pension Account is paid as a lump sum it will be tax free if paid to a Death Benefit Dependant. If it is paid to someone who is not a Death Benefit Dependant (e.g. if paid to a non-dependent adult child), tax may apply to the taxable component at 15% plus the Medicare Levy.*

More details on how your APSS benefits will be taxed will be provided when your benefit is paid.

*Plus the 'temporary budget repair' levy, where applicable.

Give us your TFN

Superannuation funds are authorised to ask members for their Tax File Number (TFN). You do not have to provide your TFN but, if you do not provide it:

- We may be required to deduct additional tax (at a rate of 30% plus the Medicare Levy*) from any concessional (before-tax) contributions made to your Member Savings account.
- We won't be able to accept non-concessional (after-tax) contributions to your Member Savings accounts (including co-contributions, if eligible).
- We may be required to deduct tax at the top marginal rate (plus the Medicare Levy) on the taxable portion of your benefits (if applicable).

It's easy to supply your TFN. Just complete a *Provide your Tax File Number* form and send it to us. You can also provide it over the phone by calling *Super*Phone on **1300 360 373**.

* This is also affected by the 'temporary budget repair' levy, as described on the bottom of page 2.

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